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Labour Price Index: Changing labour costs through COVID-19

The LPI measures changes in the price of labour, unaffected by compositional shifts in the labour force, hours worked or employee characteristics.

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i Source: [Wage Price Index, Australia, September 2020](#)

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Growth in labour costs

Following a significant fall between the March and [June quarters 2020 \(/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/jun-2020#spotlight-labour-price-index\)](#) with the introduction of wage subsidies and payroll tax waivers, the LPI recorded a rise (2.9%) between June and September quarters 2020. Usually a quarter in which labour costs rise with end of financial year wage reviews, enterprise agreement increases and award wage updates, September quarter 2020 recorded a rise driven by moderate [wage rises \(https://www.abs.gov.au/ausstats/abs@.nsf/0/07C8525D230737D4CA2581D700791749?Opendocument\)](#) and the reduction of support programs.

The end of payroll tax waivers in a number of jurisdictions, moderate wage rises, and return of superannuation and leave obligations were offset by small increases in the take up of the JobKeeper wage subsidy which reduced labour costs for businesses.

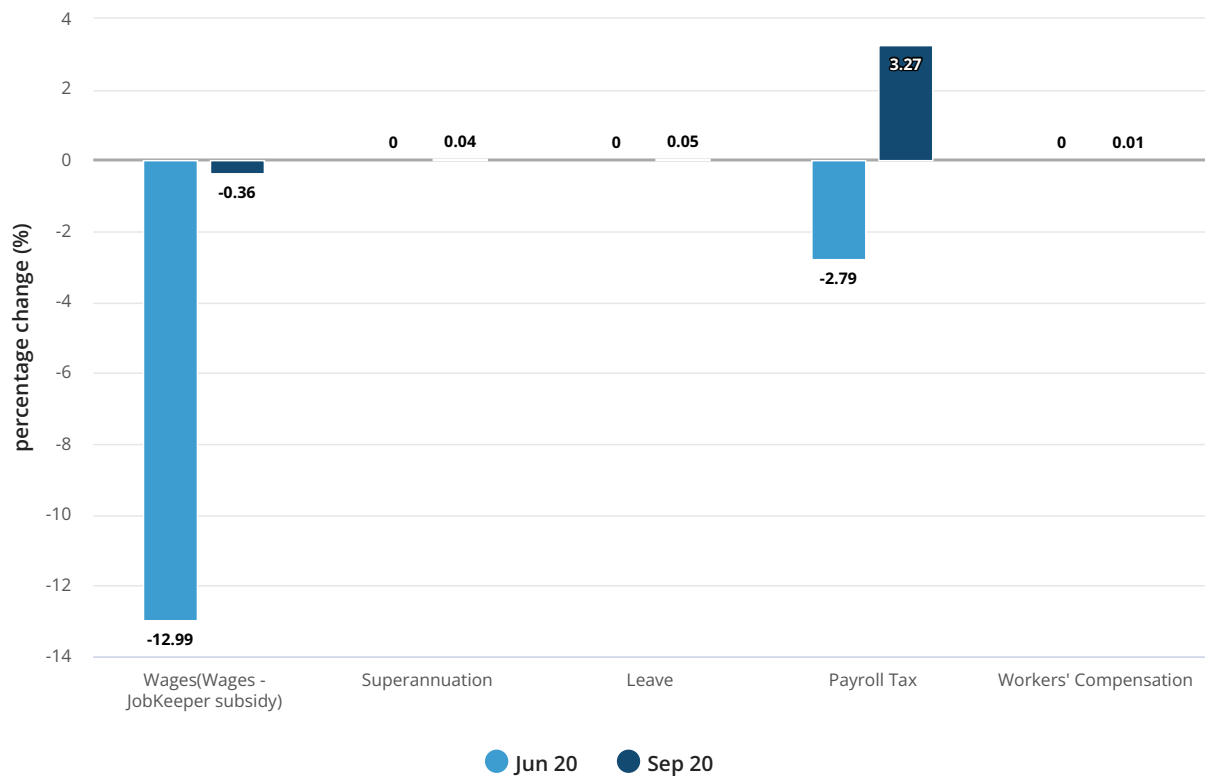
The private sector reported a rise in labour costs of 3.0% while the public sector recorded a rise of 2.2% in September quarter 2020. Private sector labour costs were influenced by the small increase in the take up of the wage subsidy and further wage reductions, whereas the public sector was not impacted by these offsetting factors.

Labour Price Index

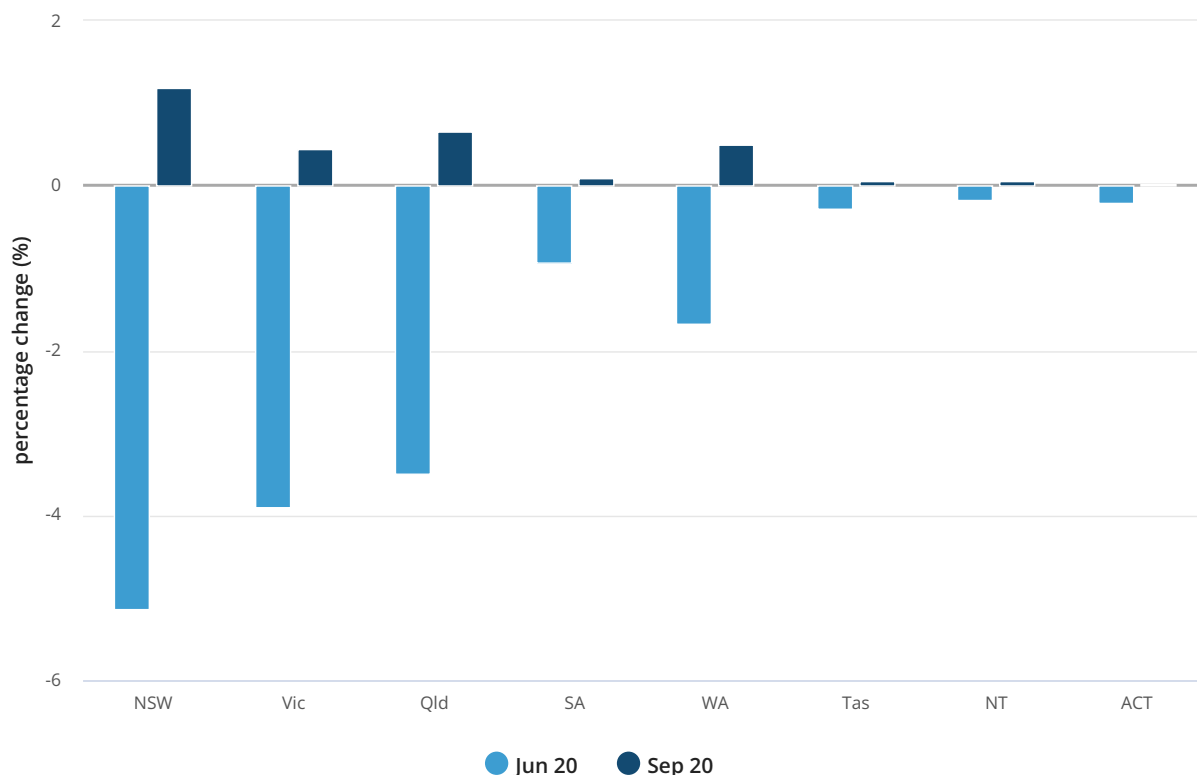
	Quarterly movement		Through the year movement		
	Sep 2020	Jun 2020	Sep 2020	Sep 2020	Jun 2020
Sector	%	%	%	%	%
All	2.9	-12.5	0.9	-9.3	-11.0
Private	3.0	-15.7	0.9	-12.5	-14.3
Public	2.2	-1.4	0.7	1.8	0.3

Drivers of private sector growth

Private sector labour costs rose mostly on the back of payroll tax increases which were partially offset by a fall in wage costs. Small increases in the number of businesses accessing wage subsidies saw this component of the LPI record a small downward contribution (as shown in Figure 1). This follows a large fall in the wages and payroll tax components of the LPI in June quarter 2020 with the introduction of the JobKeeper subsidy and payroll tax waivers.



After recording significant falls in the labour costs across all state and territories in June quarter 2020, the rate of increases in September quarter varied across jurisdictions. The most notable has been in Victoria where their contribution towards the LPI was proportionately smaller than other jurisdictions.

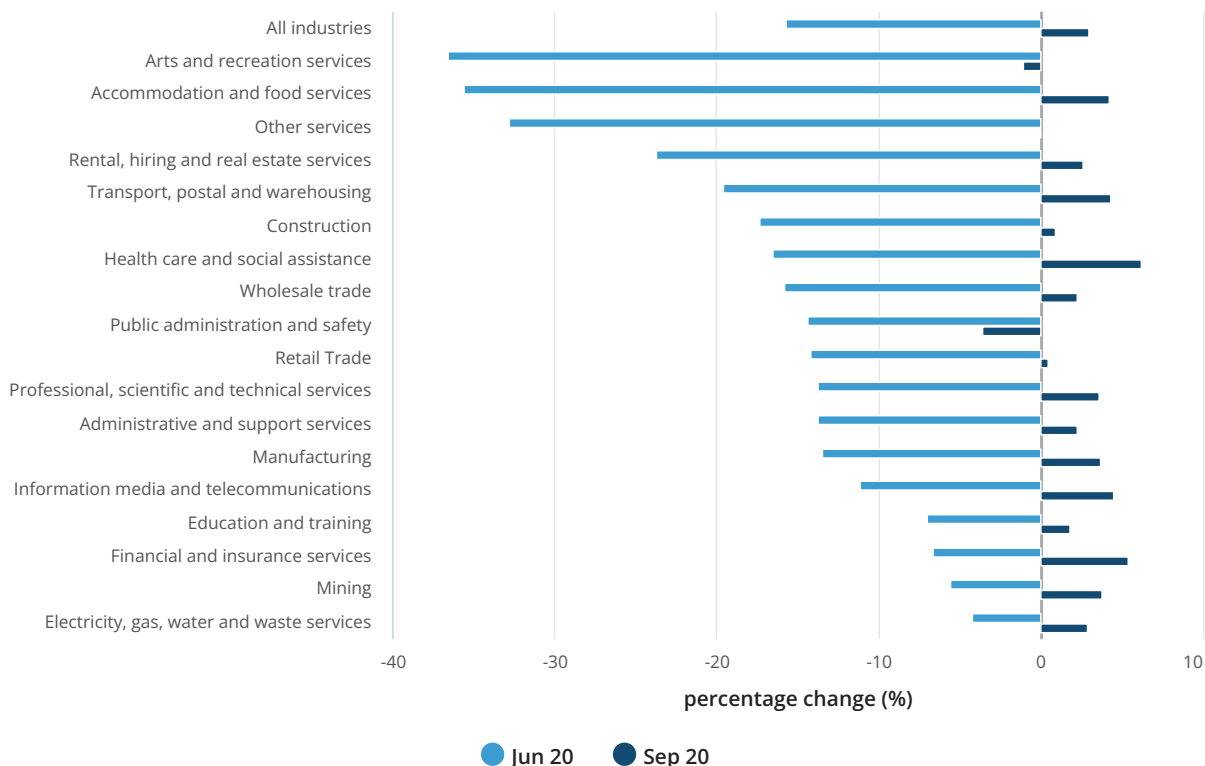


Private sector changes by industry

In the majority of industries, the LPI recorded small increases to private sector labour costs between June and September quarters 2020, mainly as a consequence of payroll tax increases as waivers ended.

The Health care and social assistance industry recorded the largest increase to labour costs following wage rises under enterprise agreements, annual wage reviews and increases to awards which flow through to all labour cost components.

The industry with the largest fall in LPI in the September quarter was recorded in the Public administration and safety industry (-3.6%), where the rate of JobKeeper take up increased the most, offsetting the moderate wage rises recorded for the industry. The Arts and recreation services industry also recorded a small increase in the rate of JobKeeper take up.



Labour costs rose across the Accommodation and food services industry in September quarter as business restrictions eased. While the JobKeeper take-up across the industry has increased slightly, the number of eligible jobs where wages are totally offset by the subsidy fell substantially. Employers were increasingly supplementing the JobKeeper subsidy as business activity increased.

Why re-introduce the LPI

In response to the COVID-19 pandemic the Commonwealth government implemented the JobKeeper wage subsidy while state and territory governments introduced measures through payroll taxes.

The JobKeeper wage subsidy initially provided a fixed \$1,500 per employee per fortnight for eligible businesses and employees. ([Methods changes during the COVID-19 period](https://www.abs.gov.au/articles/methods-changes-during-covid-19-period#measuring-the-) (<https://www.abs.gov.au/articles/methods-changes-during-covid-19-period#measuring-the->

[wage-price-index-during-the-covid-19-pandemic](#).)

State and territory governments introduced changes to payroll taxes, deferring or waiving payments for a fixed period of time as well as changing payment thresholds.

The scope of the Wage Price Index (WPI) survey does not include subsidies and own-account workers (self-employed). To assist with understanding the impacts on employing business labour costs, from the JobKeeper subsidy and payroll tax changes, the ABS reconstructed the Labour Price Index (LPI) based on data collected from the WPI survey. The LPI represents the changes in the price of all labour costs including subsidies.

The LPI was last published in September quarter 2011 on a financial year basis. Where possible the same sources and methods have been used to construct a quarterly series. (see [Appendix 1 \(https://www.abs.gov.au/methodologies/wage-price-index-australia-methodology/jun-2020\)](https://www.abs.gov.au/methodologies/wage-price-index-australia-methodology/jun-2020).)

Labour price index quarterly movements: industry and state

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